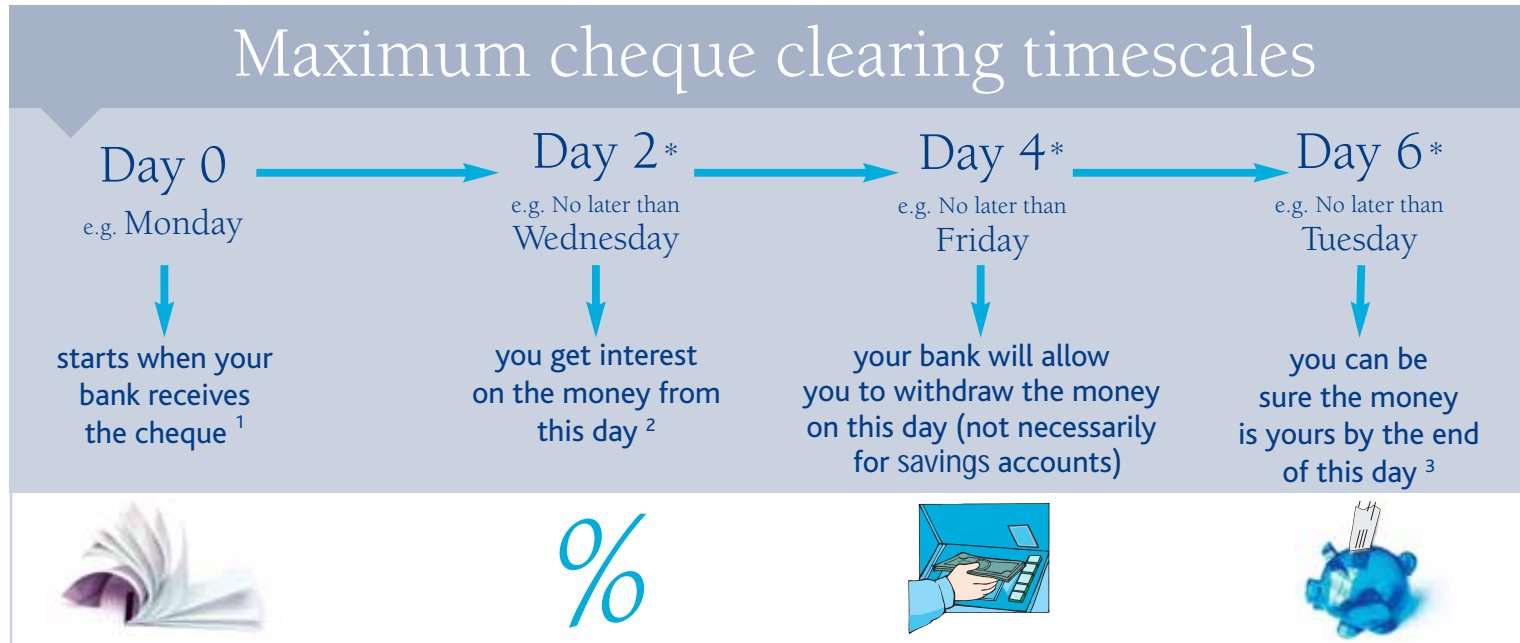


Cheque Changes Explained

These changes will bring clarity and certainty for anyone paying in a cheque. They are intended to remove confusion and provide greater transparency. Although cheques are being used less and less, this is an important change for customers paying in cheques to bank or building society accounts.



What do these changes mean?

By the end of 2007 maximum times will be set for all component parts of the cheque clearing cycle broken down into “the paying-in day” plus 2, 4 or 6 working days. The graphic opposite explains these maximum timescales.

The change means that you can be confident that if you pay in a cheque on Monday (before the advertised cut-off times): the latest time you can expect to get value or earn interest is two working days later (Wednesday); the latest time you can withdraw funds from a current or basic bank account is four working days later (Friday); and you can be certain that the funds will not be reclaimed from your account six working days later (by the end of the following Tuesday) as a result of the cheque having been returned unpaid. If you are not sure you should check with your bank or building society.

These changes will be of particular benefit to basic bank account holders and savings account holders in relation to faster clearing, while all customers will potentially benefit from improved certainty and the removal of delays and exceptions.

Footnotes

* Working days exclude weekends and bank holidays

1) You can pay in a cheque in a number of ways - across a branch counter, at a cash machine, by post or at a post office. This may affect when your bank actually receives the cheque. You may also need to deposit a cheque before a certain cut-off time, so if certainty is important to you, you should check with your bank or building society.

2) If your account pays interest on credit balances. It is also the point at which this money will reduce the amount of any overdraft interest charged.

3) You will be able to withdraw this money from your savings account if the account allows withdrawals.

This table sets out the maximum cheque clearing timescales. Your bank or building society may offer you shorter timescales. Check your terms and conditions.

These maximum timescales apply to all accounts. The only difference is for savings accounts, where withdrawal may not be until day 6 (for those accounts which allow withdrawal).

Be wary of accepting high value cheques from someone unless you know and trust them. If you are uncertain about the status of a cheque you should check with your bank or building society.

What is the main benefit to customers?

For the first time, you can be sure that after a maximum of six working days (after paying in a cheque), the money is yours, and you are protected from any loss if the cheque is returned unpaid, either because there are insufficient funds in the payer's account, it is stopped for another reason, or it turns out to be fraudulent. The funds from that cheque cannot be reclaimed, as may have happened in the past, unless you are a knowing party to a fraud.

Despite this positive change, you should continue to be wary of accepting high-value cheques or bankers' drafts. If you don't know or have reason not to trust the person offering a cheque, or if you need instant certainty to release goods or services, you should consider other payment options such as CHAPS, an automated payment via BACS, or cash. A new alternative faster phone and internet payments service will be available from **May 2008**.

Any innocent customer whose cheque book is used by a fraudster will continue to enjoy full protection from any financial loss, provided they haven't breached their terms and conditions.

Who still uses cheques regularly?

Today it is increasingly rare for personal customers to receive cheques. The number of cheques the average consumer receives has now fallen to just one cheque every two

months - less than seven a year. If you are one of the few people who receive lots of cheques you should make sure you have an account best suited to your needs. Over the past 15 years personal customers have also been writing fewer cheques, and as a result a number of leading retailers have either stopped accepting cheques or are considering doing so.

Despite the ever-increasing decline in cheque use they still play an important role for certain groups who will clearly benefit from these changes. These include small and medium-sized businesses. Cheques are also still used by personal customers for certain types of payment, such as paying a small business, club or society and for person-to-person payments.

In 2005 59% of total cheque volumes were personal cheques, and 41% business cheques. By value, 12% were from personal cheques, and 88% from business cheques.

How will a customer know what level of service their bank or building society is planning to provide?

Banks and building societies will make sure that their customers are aware of any changes to their terms and conditions. As each bank adopts this change, customers will receive clear notification of the service they provide and how it applies to the range of accounts they offer.

Cheques can be paid in by a variety of ways i.e. branch counter, via a cash machine, by post and at Post Offices, and at different times of the day. How will a customer know when their bank has got their cheque and the timescale starts?

These timescales will be clarified by individual banks or building societies. If the certainty of a cheque is important, you should ask.

How will a customer know when the cut-off point (when funds cannot be reclaimed) on the sixth day after deposit has been reached? Do the six days exclude non-working working days?

You can be sure that funds will not be reclaimed (without your consent) more than six working days after deposit. This means that if a cheque has been paid in on a Monday you can be sure it will not be reclaimed after the end of the banking day the following Tuesday. If you are uncertain, you should check with your bank or building society about how they will apply these maximum timescales. Saturdays, Sundays and bank holidays remain non-working days and are therefore not included within any calculation of the six day period.

What does this mean for a customer paying in a Northern Irish or Scottish cheque and vice versa?

For the first time, the timetable for Northern Irish and Scottish cheques will be no different from that in the rest of the UK.

Will this change affect business accounts?

Yes. It is particularly small businesses who have expressed concerns about the lack of certainty with cheques, and knowing when the money is definitely theirs. This change will provide them with a real benefit.

Why do customers have to wait until the end of 2007?

A number of changes are required, not just centrally but affecting the systems of the hundreds of UK banks and building societies that issue and accept cheques. These are complex but the industry is adopting an aggressive timescale for their completion.

Are there any banks or building societies that do not have to make this change? Are there any types of account this does not cover?

The banking industry expects that these changes will be included in the next edition of the Banking Code. It is estimated that less than 0.5% of all cheques go through accounts not covered by the Banking Code.

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